

*Management Board Report on the business of Autostrada Wielkopolska S.A. in 2022*

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on the business of the Company Autostrada Wielkopolska S.A.  
in 2022**

**I. General information on the Company and its commercial strategy**

Autostrada Wielkopolska S.A. (hereinafter AWSA, the Company, the Concessionaire) with registered office at Stanisława Zwierzchowskiego 1, 61-248 Poznań, entered into the Register of Entrepreneurs kept by the Regional Court for Poznań - Nowe Miasto and Wilda districts, Commercial Division VIII of the National Court Register, under number KRS 1970, statistical number REGON: 632243012, taxpayer number NIP: 972-005-04-33 <https://www.autostrada-a2.pl/>.

AWSA was established in 1992 with a view to implement the motorway construction program in Poland. On 10 March 1997 AWSA won the international tender for the construction and operation of A2 motorway from Świecko to Stryków and was awarded 3 concessions for the sections between, respectively, Świecko - Poznań, Poznań - Konin and Konin - Stryków, for the term of 30 years each. Subsequently, the Minister of Transport and Maritime Economy entered into the Original Concession Agreement with AWSA, under which AWSA designed, built, financed and has been operating Section I Nowy Tomyśl - Konin (hereinafter Section I).

On 5 May 1999 the scope of the Concession was reduced by way of excluding the section Konin - Stryków from the concession-based financing of A2. Concurrently, by way of a decision of the Minister of Infrastructure, new concessions were issued for the sections Nowy Tomyśl - Konin and Świecko - Nowy Tomyśl (the Concessions), for the term of 40 years each. As the Concessionaire, AWSA has not become the owner of A2 but rather ensures performance of the Concession Agreement for the term of 40 years, (until 2037). The land on which the motorway is located remains the property of the State Treasury and AWSA pays an annual rent thereon.

Between 20 December 2002 and 27 October 2004 all three sections of Section I were opened to traffic. During the negotiations with the public party it was agreed that in order to secure financing of the A2 construction, separate sources of funding for Section I and Section II (Świecko - Nowy Tomyśl) should be arranged. Such move permitted minimizing the risks related to the procuring of financing for the construction of Section II.

On 30 August 2008 AWSA entered into an Agreement for the Construction and Operation of Section II of A2 Toll Motorway (COA) with the Minister of Infrastructure, which superseded the existing Original Concession Agreement with respect to the provisions governing the design, construction, financing and operation of Section II. The split of the financing of the two motorway sections meant, in practice, that another business entity had to be established to build Section II. For that reason, in 2009 a new company, Autostrada Wielkopolska II S.A. (hereinafter AWSA II) was founded, with AWSA as the sole shareholder. Shortly after AWSA II had been established, its shares were taken over from AWSA by further shareholders. The ongoing operation and maintenance of Section I were entrusted to the special purpose vehicle - Autostrada Eksploatacja S.A. (hereinafter AESA) acting to order of AWSA.



## **II. Competitive environment**

Road infrastructure is vital for the economy and the construction of A2 motorway from the German border to Konin (255 km) is part of the important transportation link for entire Poland, as well as for Europe, as it connects Poland with the European motorway network. A2 Motorway is part of the Transeuropean Road Network. AWSA and AWSA II are implementing the biggest concession-based infrastructural investment project in Poland under the Public Private Partnership model. The model adopted by the government for the financing of construction and managing motorways, coupled with the special nature of the market for management and operation of motorways in Poland resulted in a situation where the Polish motorways are currently managed by the central governmental authority - GDDKiA and two other private concessionaires, in addition to AWSA and AWSA II, i.e. Stalexport Autostrada Małopolska S.A., operating A4 motorway in the section Katowice - Kraków and Gdańsk Transport Company S.A., operating A1 motorway in the section Rusocin - Nowa Wieś.

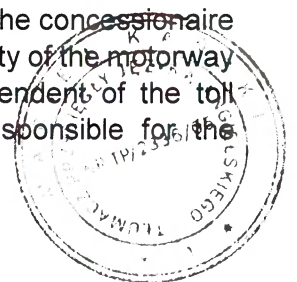
According to applicable law, eventually all Polish motorways will be tolled. Nowadays, toll is charged on the following motorway sections:

- 1) A2 motorway in the section Świecko - Stryków (Section I operated by AWSA, Section II operated by AWSA II and the section Konin - Stryków operated by GDDKiA),
- 2) A1 motorway in the section Rusocin - Nowa Wieś (operated by Gdańsk Transport Company S.A.)
- 3) A4 motorway in the section Kraków – Katowice (operated by Stalexport Autostrada Małopolska S.A.) and in the section Wrocław (Bielany Wrocławskie interchange) – Sośnica (operated by GDDKiA).

The Concessionaires responsible for the construction/ upgrading, operation and maintenance of toll motorway sections in Poland fall under one of the two settlement systems with the government: real toll settlements (motorway sections operated by AWSA and Stalexport Autostrada Małopolska S.A.) and availability fee system (motorway sections operated by AWSA II and Gdańsk Transport Company S.A.). These two systems are differentiated between by the allocation of traffic risk and the related toll-setting system for the concession motorway section users.

Under the real toll system the managing company pays the operating costs, as well as those of financing construction, upgrade and rehabilitation of the motorway, solely from the toll revenues it generates. Under this model, the demand (traffic) risk on the sections in question remains solely with the private partner. Toll rates are set by the concessionaire based on the concession agreement entered into with the government (the concessionaire may set the toll rates within the limits agreed with the public party, still being obligated by the Concession Agreement to maximize its revenues), the financial model and traffic forecast. The Concessionaire pays any and all costs of renewals, extensions, as well as the operating costs, debt service costs and is expected to provide return on the concessionaire's equity.

The availability fee system is characterized by the public party bearing the traffic risk, thus being entitled to formulate its own pricing policy on the motorway. Under this model, the private partner bears no traffic risk and is rewarded by the State Treasury for ensuring full availability of the motorway by way of an availability fee paid on a regular basis in the amount specified in the agreement. The public party may make deductions from the availability fee or charge the concessionaire with penalty points translating into financial dimension whenever the concessionaire fails to comply with the provisions of COA with respect to the provision of availability of the motorway or substandard service. However, the amount of the availability fee is independent of the toll revenues collected by the concessionaires (more specifically, companies responsible for the



maintenance and operation of motorways) and transferred to the National Road Fund from which the concessionaires are paid the availability fee from the day of opening the motorway to traffic to the day of expiration of the agreement. Availability fee is meant to pay the extension costs, if any, as well as the operating costs, debt service and the return on equity to the concessionaire. Under this system, in the period since the opening to traffic until the date of expiration of the agreement, private partners are obligated to collect tolls on the motorway, with the proceeds feeding the National Road Fund from which subsequently the companies receive their availability fees.

This means that AWSA and AWSA II are the only concessionaires in Poland that are subject, on a single mainline motorway, to two different payment systems vis a vis the government. Other market players are subject to a single toll collection and settlement system, respectively: Stalexport Autostrada Małopolska S.A. in the open system and Gdańsk Transport Company in the closed system. As required by the public party, the concessionaires are bound to establish individual special purpose vehicles that provide to them services of ongoing maintenance and operation of the motorway. AESA is the only SPV providing services to two concessionaires: AWSA and AWSA II. The SPVs established by other concessionaires: Stalexport Autostrada Małopolska S.A. and Gdańsk Transport Company S.A. include, respectively: VIA4 S.A. and Intertoll Polska Sp. z o.o.

### **III. Company Shareholders**

The Company share capital is divided into 4,610,000 shares of stock, of the issue, respectively A, B, C, D of the par value of PLN 100.00 each. The majority of the Company shares are held directly or indirectly by Meridiam Infrastructure A2 S.à.r.l., i.e. the investment vehicles controlled by the Meridiam investment funds specializing in infrastructural investments and by Kulczyk Investments group.

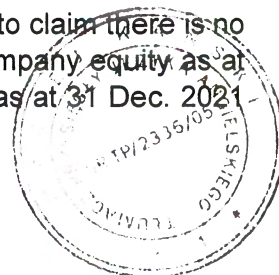
### **IV. The current and forecast financial position of the Company**

The structure of the Company's assets is as follows: 94% are fixed assets, with only about 6% of current assets, of which cash accounts for ca. 43% , with more than 43% being short term receivables and almost 7% being advance payments for deliveries.

Fixed assets as at 31.12.2022 included as follows: 48.5% are intangibles, being mainly the rights under the Concession Agreement, 34.5% is the long-term receivable for the funds deposited by the Company on the escrow account of the District Court in Poznań as the security of the payment of the State Treasury's claim due to the decision of the European Commission about the unlawful State aid, 1.0% is the loan to Autostrada Eksploatacja S.A., 15.8% are prepayments (including the deferred tax asset) and 0.2% other fixed assets.

The balance sheet total as at 31 December 2022 is PLN 4,243.2m which is by PLN 1.4m higher than the preceding year.

The Company still has negative equity, therefore the entire project is financed with debt, of which ca. 77% are loans and borrowings and other financial instruments. In spite of this capital structure drawback, the current cash flows, as well as the financial projections based on the estimated net cash flows and the expected PLN/EUR exchange rate trend make it reasonable to claim there is no threat to the Company as a going concern referred to in Art. 233 CCC. The Company equity as at the reporting date amounts to PLN - 3,437.7m and is lower than one disclosed as at 31 Dec. 2021 by the loss incurred in the current reporting period, i.e. by PLN -202.1m.







## **VII. Issues related to the European Commission Decision**

On 25 August 2017 the European Commission issued a decision in which it demanded that the State Treasury recover from the Company ca. PLN 895.0 M with interest as alleged unlawful State aid incompatible with the internal EU market. In order to enforce the abovementioned decision, the State Treasury filed a case with the District Court in Poznań which issued the payment order on 29 November 2017. In response to that the Company took a number of legal measures including, among others, an appeal to the General Court against the European Commission Decision, requesting dismissal of the Decision-based recovery demand and declaring the decision unlawful. On 24 October 2019 the General Court of the European Union in Luxembourg issued a judgment dismissing the AWSA appeal against the decision of the European Commission (the "Decision"). The Company exercised its right to appeal to the Court of Justice of the European Union against the judgment of the General Court and lodged it on 20 December 2019. In late October 2020, during the pleadings stage of the proceedings the European Commission and Poland provided their replies to the Court of Justice of the European Union.

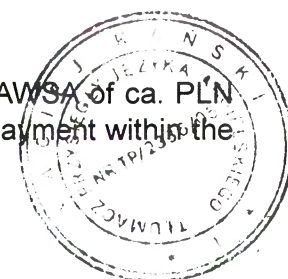
In February 2018 the Company obtained a facility from the commercial banks which permitted to apply the interim measure in that the Company made the most of the lawfully available option to pay the amount adjudicated by the payment order to the escrow account of the Ministry of Finance. The amount specified in the payment order, together with interest, was transferred to the escrow account with the BGK Bank on 12 March 2018. The abovementioned measures allowed the Company to continue operations and devising further strategy, exercising due care and attention, when considering various potential outcomes of the proceedings both in Polish and European courts.

On 26 March 2018 the Court in Poznań issued a decision whereby: (1) lifted the injunction effect of the payment order due to the payment by AWSA of the full security amount to the Minister of Finance's Escrow Account; (2) the proceedings instituted by Poland before Polish court was suspended until the final judgment of the European Court of Justice on the appeal AWSA lodged against the EC Decision.

On 2 December 2019 the District Court in Poznań recommenced the payment order proceedings and on 11 December 2019 the Court dismissed the Company's request for continued stay. The Company filed another request for the stay of the proceedings to the Court of Appeals on 9 January 2020. The proceedings were stayed until the Court of Justice of the European Union considered the case and issued a final judgment. On 11 November 2021, the Court of Justice of the European Union dismissed AWSA's appeal against the judgment of the General Court of the European Union. Presently, in relation to the European Commission Decision, AWSA and the State Treasury are engaged in the amicable talks regarding the refund of the overpaid VAT and CIT taxes.

On 26 November 2019 the Court of Appeal in Warsaw issued a judgment in the case instituted by the State Treasury to set aside the Arbitral Award in which it found the State Treasury's appeal against the award of the Arbitral Tribunal that had been in favor of AWSA justified and by doing so it set aside the award of the Arbitral Tribunal. On 7 August 2020 the Company filed a cessation complaint to the Supreme Court which was accepted for consideration with the Supreme Court decision of 1 December 2020. On 10 January 2023 the Supreme Court issued a decision on the composition of the court to consider the case. By the date of this report the Supreme Court has not yet issued a judgment in this case.

On 15 September 2021, the Minister of Infrastructure demanded payment from AWSA of ca. PLN 5.5m as the refund of the arbitration costs. AWSA challenged such demand for payment within the



time limit specified by the Court and requested that the claim be dismissed. With the decision of 27 September 2021 the Court refused to dismiss the claim. With the judgment of 28 November 2022 the District Court in Poznań adjudicated PLN 5.5m with interest from AWSA to the State Treasury. On 24 January 2023 AWSA appealed against said judgment.

## **VIII. Operation and maintenance**

### **A. Major resurfacing works**

In June 2022 the Company entered into a contract for the rehabilitation of pavement in section 3 Nowy Tomyśl - Poznań (excluding a 4km section of the southern carriageway which was rehabilitated in 2021) including the pavement rehabilitation of slip roads at Buk interchange. The term of such rehabilitation contract is two years (2022/2023). In 2022, rehabilitation of 42 km of mainline was completed, as well as the re-pavement of the Buk interchange slip roads, which accounts for 45% of the contracted works.

### **B. Rehabilitation of the engineering structures**

Under the program of rehabilitation of the engineering structures the Company rehabilitated 15 engineering structures. The expansion joint system was replaced on the bridge over Warta river at km 245+870 (southern carriageway). Minor repair works were also performed on the remaining engineering structures managed by the Company.

### **C. Refurbishment of the toilet buildings**

In 2022 refurbishment of the toilet buildings at Rest and Service Areas and Toll Plazas was continued based on the 2021 contract. Such refurbishment covered the facilities located in the motorway section between Nowy Tomyśl and Poznań (7 buildings) and between Poznań and Września (6 buildings). All the works were completed in July 2022.



**D. Construction of the third lane in the section between Poznań Krzesiny and Poznań - Wschód [East]**

At the end of 2022 level C will was reached in the A2 section Poznań Krzesiny - Poznań Wschód, which triggers the commencement of the third lane construction project (in said section). In October 2022 the Company obtained the environmental conditions decision for said section and was able to commence the detailed design process.

**E. Refreshing the road marking**

As part of the refreshing works on the road marking, structural thick-layer thermoplastic edge lines were painted, as well as the marking on the entry and exit lanes.

The road marking was performed in the entire A2 section between Nowy Tomyśl and Konin, excepting the sections where pavement rehabilitation has been scheduled for 2023 and excepting the Poznań - Września section, where the third lane is envisaged in subsequent years.

**F. Pavement rehabilitation at Łądek Toll Plaza**

The pavement rehabilitation works at the Łądek Toll Plaza involved replacement of the damaged concrete slabs and a number of repairs. Expansion joint fillings were replaced in the entire area of the concrete platform.

**G. Maintenance**

The motorway was being maintained at a high standard in all major areas, i.e. winter maintenance, routine maintenance and interventions in emergencies. Also, works were being performed resulting from the need to replace equipment and fittings in order to make them respond to the changing circumstances and to maintain the required technical efficiency level.

The ongoing checks by the Company inspectors with respect to the quality of services performed by the company Autostrada Eksploatacja S.A. demonstrated compliance by the Operator with the standards referred to in the Operating Company Contract and conformity to the Operator's monthly reports.

**IX. Traffic and revenues**

**A. Traffic**

Compared to the traffic flows recorded in 2021, in 2022 we have noted growth of the total traffic and light vehicle traffic with the slump in heavy goods vehicle traffic, amounting, respectively, to:

- 1) total traffic: Łądek Toll Plaza (2.7%), Nagradowice Toll Plaza (3.2%), Gołuski Toll Plaza (4.4%),
- 2) car traffic: Łądek Toll Plaza (6.7%), Nagradowice Toll Plaza (7.0%), Gołuski Toll Plaza (6.6%),
- 3) heavy goods vehicle traffic: Łądek Toll Plaza (-3.9%), Nagradowice Toll Plaza (-6.1%), Gołuski Toll Plaza (-0.8%).





## **B. Toll revenues**

In 2022 the Company yielded total net toll revenues of PLN 850 M.

On 10 January 2022 the Company launched indexation of the toll rates, in that the rates changed, as follows: PLN 25 for Category I vehicles, PLN 37 for Category II, PLN 57 for Category III, PLN 87 for Category IV and PLN 250 for Category V.

Due to high inflation, as of 9 September 2022, toll rates were again escalated as follows: PLN 26 for Category I vehicles, PLN 39 for Category II, PLN 60 for Category III, PLN 91 for Category IV and PLN 260 for Category V.

## **C. The impact of the outbreak of war in Ukraine on traffic and revenues**

On 24.02.2022 the Russian invasion in Ukraine began. The outbreak of war in Ukraine resulted in a number of sanctions imposed on Russia and Belarus. These sanctions have significantly reduced the trade with those countries. In addition, visible impacts include reduced imports from Ukraine and the exodus of Ukrainian truck drivers from the trucking market. As the A2 Motorway is one of the major transportation corridor between East and West of Europe, the abovementioned factors translated into a drop in heavy goods vehicle traffic.

## **X. Toll collection and pricing policy**

In view of the macroeconomic factors' change, in particular high inflation, the Company intends to escalate the toll rates for the sections Nowy Tomyśl – Poznań, Poznań – Września and Września – Konin as of 9 March 2023, as follows: Cat. I - PLN 28, Cat. II - PLN 43, Cat. III - PLN 66, Cat. IV - PLN 100 Cat. V - PLN 280 Also, in order to align the classification to other toll motorways, we envisage an additional category for motorcycles, with a preferential toll rate of PLN 14.

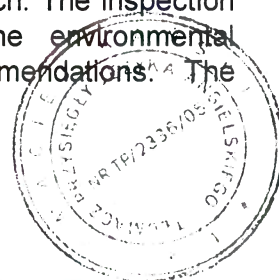
## **XI. Environmental protection and monitoring**

In 2022, each year, the Company performed water tests in line with the water permits held.

In 2022 the Company performed remedial works (building additional noise barriers) resulting from the noise protection environmental program approved in 2018 by the Wielkopolskie Local Government Council.

In 2022, in line with the requirements of the European directives and Polish laws, the Company developed a strategic noise map aimed at assessing the level of exposure to traffic noise in the areas neighboring on the A2 Motorway Nowy Tomyśl - Konin. The analysis covered eleven sections of the A2 Motorway in total, from Nowy Tomyśl to Konin, totaling almost 150 km.

In September 2022, the Poznań Branch of GDDKiA performed a visual inspection of the care taking and maintenance of greenery on the motorway and at the Rest and Service Areas and Operation and Maintenance Centers, as well as a visual assessment of the condition of the environmental protection facilities/equipment in accordance with the 2022 Monitoring Plan for compliance with the terms of the construction and operation agreements or solely for the operation of motorways and lease agreements for rest and service areas type II and III in the Poznań Branch. The inspection also covered the Partner's performance of technical inspections of the environmental facilities/equipment and follow-up to the resulting findings and recommendations. The





abovementioned inspection was performed in line with Article 63d of the Act of 27 October 1994 on toll motorways and the National Road Fund.

No irregularities resulting from any acts or omissions of the inspected entity were found during inspection. GDDKiA concluded that in view of the proper performance by the Company in this respect, i.e. one being in line with the applicable provisions of law and the terms and conditions of the construction and operation agreement, no additional recommendations should be issued to the Company.

## **XII. Public Relations and Marketing Activities**

The PR and Marketing activities in 2022 involved the implementation of the 2021 assumptions for the new communication platform called "Every kilometer matters." Comprehensive communication included working with local and nationwide media and keeping the media and the public informed about the Company's activities in the field of ensuring quality road infrastructure, safety of drivers or the environmental protection. Meetings were held with journalists (individually and online), OOH and digital campaigns.

In addition to regular education activities showing positive aspects of using motorways, PR activities were performed concerning traffic safety. Communications at the Rest and Service Areas were continued, focusing on the rules for driving on the motorway and the Company's activities in terms of, without limitation, ensuring drivers' safety when traveling on the motorway. Digital and outdoor campaigns were implemented to draw attention to the most common causes of accidents on motorways in Poland and to remind users to follow the highway code on this type of road, including maintaining proper distance from the vehicle ahead, safe overtaking, taking breaks when traveling and maintaining concentration when driving, creating an emergency corridor, etc.

The company was actively involved in social projects of a preventive and educational nature, i.e. events organized by the Police Headquarters in Poznań or the Wielkopolska Firefighters Foundation, attracting audiences of several thousand, as well as smaller events related to road safety, organized, for example, by driver training centers.

In 2022 AWSA continued the CSR program "Driving course on the motorway", which promotes safe driving and correct maneuvering, and permits practice drives on the motorway with a driving instructor. The scope of the program has been expanded to include drivers who already have a driver's license (in 2021, the program was aimed primarily at the trainees) and high school students in grades III, IV and V. The Program was continued under the patronage of the National Road Safety Council, the Marshals of the Wielkopolskie and Lubuskie voivodships and the Mayor of Poznań. In 2022, the Police Headquarters in Poznań joined the ranks of patrons.

In connection with the outbreak of war in Ukraine, the Company carried out a campaign to help Ukrainian war refugees. In addition to supporting foundations and institutions taking care of the Ukrainian refugees in Poland, toll exemptions have been applied for cars registered in Ukraine and humanitarian transports from around the world carrying aid to Ukraine. At the same time, regular information campaigns related to the aforementioned aid-related activities were carried out.

## **XIII. Achievements in research and development**

In 2022 the Company carried out no research and development activity. There are no members of the group that would be responsible for research and development or management thereof, either



Sebastian Jędrzymiak

5 2022

20 March 2023 (20 03 2023)

*Maciej Kański*  
Certified translator and interpreter of English

